

Message Text

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TO USDEL SECRETARY IMMEDIATE

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EXDIS - FOR SECRETARY AND ATHERTON FROM SOBER

E.O. 11652: GDS

TAGS: OVIP (VANCE, CYRUS)

SUBJECT: ADDITIONAL AID REQUEST BY GOE

REFS: (A) SECTO 1025 (B) CAIRO 1986 (C) CAIRO 1217
(D) CAIRO 1216

1. DEPUTY PRIME MINISTER KAISSOUNI HAS WRITTEN TO AM-BASSADOR EILTS WITH A REQUEST TO INCREASE OUR AID TO EGYPT IN 1978 AND 1979 (REF. D). AFTER SUBSEQUENT DISCUSSIONS BETWEEN EGYPTIAN AND AID OFFICIALS WE UNDERSTAND GOE INTEREST IS ACTUALLY ON THE ORDER OF DOLLARS 440 MILLION FOR FY 78 (REF. C). SPECIFIC FIGURES FOR FY 79 HAVE NOT EMERGED BUT IT COULD AMOUNT TO DOLLARS 800 MILLION ABOVE OUR PROPOSED LEVEL OF DOLLARS 750 MILLION.

2. CAIRO REPORTS KAISSOUNI ACTED ON INSTRUCTIONS FROM SADAT AFTER AMBASSADOR GHORBAL REPORTED A DISCUSSION HE AND

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THE MINISTER OF LABOR HAD WITH SENATOR STONE. STONE ALLEGEDLY TOLD THE EGYPTIANS THAT THE MOOD IN CONGRESS MAKES THE TIME PROPITIOUS TO GET INCREASED AID. AM-BASSADOR EILTS REPORTS THAT WHILE THE IDEA OF THE PROPOSED INCREASE IN AID MAY HAVE ORIGINATED FROM GHORBAL'S REPORT, COMMENTS BY OTHER RECENT CONGRESSIONAL VISITORS TO CAIRO

HAVE REENFORCED THE IMPRESSION OF CONGRESSIONAL RECEIPTIVITY.

3. THIS REQUEST FOR HIGHER AID LEVELS IS VIEWED VERY NEGATIVELY BY AID AND OMB, AS BOTH THE GOE AND AID ARE UNDER SEVERE STRAIN TO ABSORB EFFECTIVELY OUR CURRENT SSA (PROJECT AND COMMODITY) PROGRAM (DOLLARS 750 MILLION). ALSO, EGYPT IS UNDER LESS BALANCE OF PAYMENT STRAIN NOW THAN LAST YEAR, AS RESULT OF IBRD/IMF PROGRAM WHICH SEEMS TO BE WORKING. AID SUGGESTS THAT WHAT MAY BE MORE IMPORTANT THAN HIGHER AID LEVELS IS FURTHER ASSURANCE OF THE CONTINUITY OF U.S. AID PROGRAMS ALONG WITH SOME POSSIBLE RESTRUCTURING OF THE AID PROGRAM WITHIN A LONGER TIME FRAME TO ASSURE THAT CHANGING EGYPTIAN PRIORITIES ARE MET. FURTHER, THE TIMING OF OUR BUDGET PROCESS MAKES IT UNREALISTIC TO CONSIDER ADDITIONAL FUNDING IN FY 1978 WITH THE POSSIBLE EXCEPTION OF PL 480 TITLE I (NOW SET AT DOLLARS 170 MILLION), UNLESS THE ADMINISTRATION WERE TO UNDERTAKE A SPECIAL EFFORT WITH THE CONGRESS FOR AN INCREASE; THIS WOULD RESULT IN PRESSURE FROM THE CONGRESS ALSO TO INCREASE THE ISRAELI PROGRAM.

4. AS FOR FY 79, THE PRESIDENT'S REQUEST FOR EGYPT IS DOLLARS 750 MILLION IN SSA AND DOLLARS 187 MILLION IN PL 480. ANY SUBSTANTIAL INCREASE IN SSA REQUEST FOR EGYPT WOULD FORCE US TO RECONSIDER AID LEVEL FOR ISRAEL. EVEN

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THESE LEVELS WERE, AS YOU KNOW, OPPOSED BY AID AS BEING WELL ABOVE ECONOMIC REQUIREMENTS. THE LEVELS WERE MAINTAINED LARGELY BECAUSE THE DEPARTMENT FELT ANY CHANGE IN THE TOTAL AND THE PROPORTIONAL COUNTRY SHARES WOULD BE A NEGATIVE POLITICAL SIGNAL. WHILE THERE IS MUCH SYMPATHY FOR SADAT AND EGYPT AT THIS TIME, THE ADMINISTRATION WOULD HAVE TO MAKE A CONVINCING CASE THAT THE ADDED ASSISTANCE WOULD CONTRIBUTE POSITIVELY TO ACHIEVEMENT OF OUR OBJECTIVE OF SUPPORT FOR SADAT AND EGYPT IN PEACEMAKING CONTEXT. WE WOULD ALSO WANT TO ARGUE THAT ADDED AID WOULD BE BENEFICIAL SPECIFICALLY TO EGYPTIAN DEVELOPMENT PROGRAM AND ECONOMY. (AID BELIEVES WE WOULD HAVE GREAT DIFFICULTY IN MAKING THIS LATTER ARGUMENT.)

5. AMBASSADOR EILTS BELIEVES IT IS UNLIKELY THAT SADAT WILL RAISE THIS MATTER WITH YOU DURING YOUR BRIEF VISIT TO EGYPT. SHOULD HE RAISE IT WITH YOU, WE BELIEVE YOU MIGHT WANT TO CONVEY SYMPATHY FOR EGYPT'S ECONOMIC NEEDS, WITHOUT COMMITTING YOURSELF TO ANY PARTICULAR COURSE OF ACTION AT THIS STAGE. IN THIS CONTEXT YOU MIGHT WANT TO NOTE THAT WE HAVE JUST RECEIVED THE REQUEST FROM KAISSOUNI

AND ARE STUDYING IT. YOU MIGHT WANT TO ADD THAT THE REQUEST RAISES IMPORTANT ISSUES, INCLUDING ABSORPTIVE CAPACITY, AND THAT WE WILL BE PURSUING THIS SUBJECT WITH KAISSOUNI AFTER STUDY.

-- YOU COULD ALSO NOTE THAT, AS HE KNOWS, WE SYMPATHIZE GREATLY WITH EGYPT'S ECONOMIC DEVELOPMENT NEEDS AND WILL CONTINUE TO BE RESPONSIVE TO THEM. IN THIS RESPECT, IN RESPONSE TO PRESIDENT SADAT'S SPECIFIC REQUEST LAST YEAR, PRESIDENT CARTER STATED THAT HE WILL CONTINUE TO RECOMMEND TO THE CONGRESS AID AT THE CURRENT HIGH LEVELS FOR SOME PERIOD. PRESIDENT CARTER HAS MAINTAINED THIS PROMISE IN HIS FY 79 BUDGET REQUEST, WHICH WILL SOON BE BEFORE THE CONGRESS.

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-- YOU COULD ADD THAT, IN ANY EVENT, WE WILL WISH TO DISCUSS WITH THE GOE AS SOON AS POSSIBLE CERTAIN MEASURES WHICH COULD RESULT IN EARLIER AND MORE EFFECTIVE UTILIZATION OF OUR ASSISTANCE UNDER CURRENT PLANNED LEVELS WHICH WE BELIEVE WILL BE HELPFUL TO GOE IN MEETING OBJECTIVES OUTLINED IN KAISSOUNI LETTER.

6. WE WILL BE PREPARING MORE DETAILED OPTIONS PAPER FOR YOU ON THIS SUBJECT.

7. THIS MESSAGE HAS BEEN CLEARED BY AID (NOOTER).
CHRISTOPHER

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NNN

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